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Price Action Theory

● Support/Resistance

- Once broken, these levels often reverse their initial roles: Support → Resistance, & Resistance → Support
- The biggest virtue is that we can derive from their presence an idea on the dominant party in the chart; dominant force should be assessed at the starting context of the most significant high/low
- Dominant Pressure:
 - follow the overall slope of the market (significant lows, highs of the chart)
 - how do the arches (both legs) relate to one another:
 - Length: Extent of Follow Through (From Previous Swing)
 - Strength: Aggression & Velocity
- *In a Sideways Market:* A typical characteristic of a sideways market is the way prices tend to alternate above and below a rather flat 25ema. In the early stages of it, in the absence of a dominant party, there may not be much telling who will come out on top. But by patiently monitoring the way the price action revolves around the average and by carefully tracking the highs and lows along the way, we can obtain an idea on the side of the market that is slowly gaining the upper hand.
- The more touches involved to form a pattern boundary of S/R, the "harder" this barrier, and the more buildup needed to push the defenders out of the way.
- The steeper the pattern line (in relation to the average slope) the stronger the market and the bigger the chance the dominance will prove resilient when attacked.
- A candlestick's close beyond that of the S/R boundary send out market signals of strength for the attacking party

● Build Up

- def: when prices keep pushing at and bouncing off a level of interest until either the defenders or the attackers throw in the towel; price tightens up in a vertical compressed fashion (relative to neighboring bars & range)
- should be proportionate to conditions (obstructions & env type) as well as the # of pattern line touches (i.e. harmony);
- the stronger we see a level defended before it yields the stronger the dominance; in other words, the more build up the more people will bail on its break
- the side that is generally most defined is the side that qualifies for trading purposes but the non-break side can also give clues as to the timing of the break (e.g. false low or turnaround bar at support - bearish weakness)
- often will take the shape of Mini-Reversal Chart Formations & Structures (e.h. Double Tops/Bottoms)
- the height of the build up (pre-breakout tension) is a function of volatility
- Squeeze (Flat Arch): fat build up (at minimum 4 bars) leads to a better idea on who will come out on top.

- price action principles & candlestick analysis are crucial in build up to assess who it serves
- **Ceiling Tests**
 - a habitual tendency for price to test the previous arch's ceiling (or floor) establishing itself as a technical test of sorts
 - will usually touch last S/R the market respected not necessarily the most prominent; often bounces off the last bar preceding the second leg of the arch (turnaround bar before the follow through)
 - can serve as a springboard for tease break pullbacks (pb/pr) useful in entering position on thin breaks
 - the ceiling test principle is not limited to any particular market environment. It is present in both ranging and trending markets and can play a role in basically any type of reversal or break (Figure 2.8)
 - In Swings: known to leave behind HL or LH (ceiling test bounce) useful in evaluating narrative & in anticipating a turn
 - In Build up: The ceiling test potential can serve as both a springboard and adverse magnet and thus must be evaluated for its potential magnetic effect.
- **False Breaks**
 - false break is a pattern break failure event that is set poorly, with little to no buildup
 - false breaks often times are *harbingers* of pressure in opposite direction
 - unqualified rallies that originate from well within the chart, often on the opposing side of the the EMA
- **Tease Breaks**
 - often times provoked by thin build up or build up originating well away from the boundary
 - should prices fail to follow through on the initial break, but not fully retreat either we may see the attacking party give it another shot. On balance, breaks of the tease break variety do stand a pretty good chance to follow through
 - Element as to whether or not to participate is the element of ceiling test is present (or missing)
 - these breaks often strategically recovers at s/r levels inside the range (ceiling test)
 - often precede dominant pressure breakouts
 - Pattern line can often be drawn back to inside the boundary (*tease break pullback*); regardless of whether a tease break correction remains outside of a broken pattern or travels back in the situation is handled similarly (corrective pullback conditions).
- **False Highs & Lows**
 - a type of false break of single bar failures, or failures of a broken top or bottom
 - a false high or low could be a harbinger of (double) pressure in the other direction.
 - The more extended the foregoing swing and the poorer the break is set at the end of it, the bigger the chance the event will be countered with success, if only temporarily.
 - In Summary: (a) a false break at the end of a swing in line with the dominant pressure could trigger a temporary correction (b) a false break at the end of a correction could be a harbinger of the dominant pressure to soon resurface (catalyst for breakout) (c) a break

that is built up properly by the current dominant parties but fails anyway could be an indication of a more serious power shift ahead (false highs/lows left behind after proper 'built' breakout)

- False Low/High present @ Support/Resistance (especially build up) is a crucial time to sharpen of focus
- Shows us valuable information regarding momentum, but it is not an indication of a major shift in dominance
- Def: Should we see the market respond to a bull break with a bearish bar and this bar then gets broken at the bottom by another, that gives us valuable information also: technically seen, we are dealing with a false high. It is considered false because the bull break failed to follow through and was followed by a bear break in turn (demoralizing).

- **Pullback Reversals (Principle)**

- Any kind of correction that hits upon a former level of support or resistance, *major or minor*, can be referred to as a technical test and thus harbors within it a potential for a bounce.
- 3 Main Requirements:
 - Bounces as a technical test or at the very least Round Number
 - Is in a 4-5-6 Corrective Retracement
 - Builds up In Turn
- Even 1-2 Candles can reflect a little skirmish at end of the correction
- The stronger the trending slope, the more likely the pullback will reverse and continue on with new market participants
- In any trend-pullback situation: the length of the pullback is inferior to its nature of appearance)

- **Round Number**

- often produces lengthy fights between buyers and sellers
- early stages price action can be rather fickle, do not pick sides to eagerly
- could stand to assist or hinder follow through (adverse magnet affect)
- perforation of the round number is often followed by retest
- failure to reach round number often sets the stage for the opposing party
- initial perforation of round number is done without issues but once price settles above or below it the fight begins
- In order to break away from round number solid build up is paramount;. sooner wait for a bar to fatten up squeeze then prematurely jump on it.

Conditions

- **Environment**

- Range
 - are the both sides of the range well defined
 - what is the width of the range; are intra-range tactics possible; when a range breaks the market has the potential to move the width of the range
 - is it a lengthy & extended sideways range

- the more defined the range the more build up needed to break through
- may prove more difficult to assess dominant pressure (Hint: Track double tops/bottoms to identify current market forces)
- Analyzing the EMA can help you identify whether or not the market is ranging
- Trend
 - in what leg is the trend currently on (3+ are often mature rallies; final burst); if the market has recently broken out do not assume Trend Env until there is substantial continuation
 - are the legs reasonably equal in length; or are they decreasing in size
 - is there a decreasing rate of change (slope)
 - is it on its upthrust or printing quick symmetrical highs (e.g. visible tails)
 - trend follow by trend is usually a sign of a range environment thus it is not best traded for immediate continuation (def: trading an immediate break in line with the earlier dominance)
 - in a strong trending market, flat and lengthy flagpoles are very common; market looks to absorb the foregoing move with a corrections in time
 - a countererally that fully defies the earlier dominant pressure is best not seen as a new trend
- Volatility
 - The real body of a candlestick can you give clues as to the increase which often portend a breakout
 - When the real bodies of candles increase an overall assessment should be made to identify implications of the surrounding technical picture (reassess context)
 - In a rather slow and compressed session, support or resistance is never far away
 - A period of exceptional *Volatility Contraction* is followed by one of *Volatility Expansion* although not guaranteed for any particular session
 - When price approaches S/R the rate of change (slope) tends to decrease; waning momentum

● Placement

- Positioning
 - 4-5-6 Retracement Levels
 - Def: attractive levels from which price bounces off of to continue in the dominant direction; 5-6 are the more attractive levels; 4 in a faster market
 - the most notable swings often times have participants lying in these retracement zones giving steam for price to follow through; decision to trade straight into these levels may be divided (poor conditions)
 - Round Number:
 - assess how long the market has been trading near the round number; best not to trade for immediate continuation at Round Number
 - whether or not the market has retested levels
 - has a dominant party become evident
 - Rally & Ranges:

- is the price action positioned near the extreme of rally or range; it is advised not to trade for immediate continuation in the lows or high of a range/rally; however a correction in time could set up a valid offer as well (the lengthier such action the better)
 - Technical Backing (Support)
 - a trade with the backing of a technical element has a greater impact on the prospect for continuation especially a cluster progression, prominent chart formation, or former breakout
- **Entry Conditions**
 - Bounce Effect
 - Must be viewed in context of technical environment (e.g. in a Trendy Market a double top may be less concerning)
 - Obstructions are best judged in relation to the market's strength; a free path to target is more rare than common.
 - blocky clusters that can still be framed by an *angular* line on the right are generally easier to cut through than pure *square blocks*; when reversal progressions are blocky we should wait for the market to 'edge off' most of its compactness of the obstruction first
 - The closer to the right are potential obstructions the more they are seen as threatening (same holds true for technical support)
 - Evaluation obstruction w/ relation to build up (relationship of harmony)
 - Common Obstructions include:
 - Pattern Line Extension / Range Barrier
 - Cluster Progression / Multi-Tops & Bottoms (& Variants)
 - Round Number (Bounce Effect)
 - Magnet Effect
 - Magnets hinder the markets ability to make an advance or decline
 - Obstructions could also prove favorable in certain well built instances; the more build up the more these obstructions also serve as magnets (help price get going which could prove advantageous).
 - Common Adverse Magnets Include:
 - EMA
 - Ceiling Test (or any Technical Test)
 - Round Number
 - Distance
 - The degree of distance from obstructions and magnets is as important as the identification of them.
 - The closer the entry is to the magnet the better the supporting conditions (think entry just below a round number). The inverse holds true
 - The further the entry is to the magnet the less likely the obstruction will impede the trade to target. The inverse holds true.
- **Progressive Swings**
 - Origination

- did the rally originate from a) thin/non-existent build up b) inexplicably beyond the ema c) from an external catalyst (e.g. News) d) false low/high
- are there any minor / major support & resistance level in the rally (hiccups) that can set the stage for an anticipated reversal (similar to technical backing)

- **Corrective Pullbacks**

- Harmony
 - Def: function of the number of sideways bars relative to the strength of the flagpole.
 - Proportion of swing and pullback should be relatively equal
- Behavior
 - *Length* - is it a shallow or deep correction
 - *Strength* - is the pullback aggressive (compare average candlestick span in relation to the foregoing swing); any *diagonal/horizontal* blocky cluster progressions, reversal patterns or revealing candlesticks; is it part of two legged complex pullback (less desirable)
- Origination / Trajectory
 - assessment of potential ceiling & technical test level as area for anticipated turn
 - did the pullback originate from a touch on technical element

Pressure (Narrative)

- **Objective**

- The objective of each party is to capture or trade away from the 'central' round number by overcoming the EMA and build up a breakout attack of S/R provoking a double pressure follow through
- Anticipation: the requirements of your strategy dictate that the trade be in alignment with earlier dominant pressure thus you should be looking for signs of:
 - Dominant Pressure Strength & Opposing Pressure Weakness
 - Dominant Pressure Obstacles any variant of S/R
- In assessing observing Price Action its important to assess rallies (& arches) namely
 - Extent of the Break
 - Turnaround Tenacity
 - Velocity
- Price Action will always be the sole source of truth (Observation > Anticipation).
- View price action as a series of events: action-response-action; follow through is **never** guaranteed thus even exceptional formations should always still be viewed with vigilance (possible counterattack)
- An assessment of the technical pressure should be done after initially plotting or re-adjusting the pattern boundary

- **Failed Attempt**

- Failure to meet objective (defined above) sets the stage for the other party to reach their own; with each failed attempt the pressure increases as parties involved become more and

more demoralized. The subsequent price action that follows can set the stage for consensus on market direction.

- Consider the likelihood of traders getting tricked into trade; back-back demoralizing false breakouts will start to compound in pressure
- Be weary when price action is too fickle.
- Failed reversals can trigger continuations just as failed continuation can trigger reversals
- When confronted with failed breakout, the party could either a) fully bail or give it a second go. Tease/False breakout with no build up are more likely to give it another go
- The failure of one side reaching their round number sets up a successful attack on the other end.
- Perforations of a technical element (pattern line, build up, EMA, or Round Number) and a close on the non-perforating side is a sign of force (serve as harbingers for price action towards the other direction).
- failed attempt to undo break (provoking a second attack) is continuation evidence; the break of a smaller pattern outside a bigger pattern sends strong continuation signals
- a horizontal block outside breakout is a sign that the market is resistant towards breakout; these horizontal blocks however often shape angular to resemble flag formation 'edging off' obstruction
- It's often the case that the second attempt is more telling of the attempt of the party reaching their objective (think about second leg of a more prominent formation)

● Transition of Pressure

- Shifts in power need to come with real shifts in structure; in fact they require time to rollover. The stronger the earlier dominant the less likely the market will turn on any first reversal attempt
- Favorable is to see a lengthy pattern line and the aggressors lose steam (poor extended breaks) followed by build up. Supporting evidence also includes a well built up break against the dominant pressure, pullback inside pattern boundary and another aggregation (second break - better odds attached)
- Transitions of power in trending environments take much longer to materialize (more contrarian tactics).. The thicker the pattern shows up, though, the more work there is to be done by trend trading parties to undo the reversal implications.
- Structures left behind at key levels of support & resistance may give hints a potential shift in dominant pressure (e.g. a triple top left behind w/ an embedded false low).
- If prices cannot make much headway even after breaking out successfully from a buildup situation, then maybe there is more danger on the boil.
- When prices start to shift the non-dominant party often begins to slowly add positioning to their side of the EMA making for a more viable attack
- When a sideways progression shows up as part of a first pullback to the EMA its reversals implications are usually not that potent; in later stages of an extended rally, the harder it is to dismantle the reversal implications. especially when quite the distance away from EMA & if the formation prints as a blocky cluster
- The inability for price to rally from a ceiling test may be a foreshadowing event for waning dominant pressure (failed attempt to rally)

Breakout Setup(s)

- the pattern break

- the bigger the total pattern and the stronger its relevant barrier (number of touches), the more work to be done by the assailers to crack it convincingly.
- the best follow-through potential for a pattern break is found on the break of a lengthy sideways range (or a substantial pullback)
- pb has a pattern barrier and build up to match while pbp and pr can happen a lot quicker in turn
- often leads to squeeze variants near the pattern boundary

- the pattern break pullback

- when a post-breakout correction challenges the broken pattern line (area), this could potentially continue to build and set up a second break in line with the first
- In a pattern break pullback it is highly preferable for the signal bar to set up not only in the broken barrier area but in the EMA as well.
- There are three ways for price to pull back that deserve attention:
 - Price Breaks but clings near broken barrier
 - Prices do follow through on the original break but then pullback to test barrier
 - Stalling in the breakout level itself, and the pattern line travels through build up
- the pullback line (if any) does not necessarily plot back to the original boundary (early participants may jump in @ ceiling test levels)
- Tease Breaks can transform into pbp; continue to monitor price action for a technical test & build up. Anticipation: if the counter attacks fail the market may swing in pullback reversal fashion (evaluate correction conditions)
- Very common is for a smaller pattern to form outside a broken bigger one; however if it is a very *fat blocky cluster* that rebelliously hangs below a broken box it may indicate resistance to breakout. much less so when progression transforms itself to be *angular* (features of continuation pattern).
- When prices stall straight through the pattern line it may be that the Pattern line is off but it does also happen for non debatable barriers as well.
- Unlike Pullback Reversal; PBP does not require technical test however the potential for ceiling test should still be assessed

- the pattern break combi

- A two (or >2) bar pattern, a power bar followed by an inside bar (or **reversed**); inside bar is 1 bar build up progression and power bar displaying directional pressure
- the follow through response is generally strongest when the combi is part of a built up pattern progression (w/ another set up)
- the power bar need not have a wide real body as long as the pressure points in the direction of the break; it can be two tall dojis side by side or just a doji inside bar,
- can also be double break (or or different color provided it still located on the high region of chart)
- Common features include:
 - Double Bar Breaks
 - Inside bar slightly protruding beyond the high/low of powerbar

- Prints in squeeze variants
 - Power Bar w/ narrow real body (bottoming/topping tail in direction of break)
 - Inside Bar Doji (or Double Doji Progressions)
 - Inside bar of the opposite color should be positioned in the neighboring bars upper/lower region
- Entry could be taken on the break of inside bar (infrequently after power bar break)
- The lows and highs of the power bar can be seen as support/resistances (possible future ceiling test)
- **the pullback reversal**
 - In order to be qualified for a reversal candidate it should pull back *substantially*, to '50, '60 retracement levels as a correction in price. ('40 in a *very* strong trendy market)
 - The best reversal candidate is a pullback that appears to travel almost reluctantly against dominant pressure (pushing & pulling)
 - The stronger the pullback presents itself the more fighting (buildup) necessary to force its turn (less likely to be a one-bar reversal setup); 1 bar turnarounds should only be done with excellent 'continuation prospects'.
 - Anticipation of PR: Be patient in waiting for build up in anticipated reversal area
 - A pullback reversal that needs to surpass the barrier of a range to get to target is likely to meet more opposition
 - whenever the bars start to position themselves **firmly** at the other side of the average, we are technically no longer dealing with a regular pullback or a flag-shaped correction of sorts.
 - the more parties lying in wait to trade a pullback reversal, the less likely the actual turning point will set itself up in non debatable fashion; the break of a pattern in line with the turn of the pullback is often acted on even with less technical merit
 - second break principle - should the anticipated turn fail to materialize and then start to stall second time around, this is much more likely to set up a turn in "dependable" fashion; it visually may appear as a M / W pattern variant or evening/morning star; this break often triggers the double pressure response (leaving behind W or M formations) and is a sign of the market failing to undo the break
 - the first bar with same directional pressure as the trend is not the BEST looking reversal positioned as turn around as the best pullbacks reversals come from pushing and pulling (triggering false turnarounds) before reversal. in countless turnaround situations it is the second break that triggers double pressure response.
 - Ideal sequence is for the pullback correction to perforate (if not touch) the EMA, touch a technical test (e.g, previous hiccup, ceiling test) or round number, and look to turn (build up) prompting entry on a *crucial* turnaround bar
 - The first pullback to appear in a newborn dominant swing is usually the most eagerly reversed
 - when the pullback reversal fails to materialize a correction in time may print as a decent wager
 - Whether or not the market is travelling in a trend/range in place may determine the aggressiveness of your trade (amount of build up required); When in range/ extended trend, you should look for more build up accumulation in the turn (near EMA)

- In terms of waiting for proper set up/ technical test any major/minor will do: the more conspicuous the technical element the better
- It pays to have a single, diagonal, and orderly correction; these features tend to be undeniable upon break
- **the trade for failure**
 - Has all the inner workings of a regular break except the build up is directed towards the non favorable side of the market; thus in trading it you anticipate failure of the break often generating immediate follow through
 - The turnaround bar's high/low on which to take position must reside at the broken pattern boundary level or back inside the pattern break
 - The potential break side often has a visible pattern boundary it plans to surpass (represented as a diagonal, horizontal, or box like break)
 - The most noticeable feature is that the breakout often takes place on first touch w/ the average since the start of the dominant swing(adds to the trap)
 - We often see the blocky features of the perceived reversal pattern take on the more angular characteristics of flag formation (as customarily plottable by diagonal line);
 - TFF is a best applied in trending conditions with the overall consensus visibly lined up in favor of the trade especially on the first pullback of a fresh dominant swing; thus attention should be given to the first turn around bar that meets conditions
 - In reversal formations (Within pullback) the thicker the pattern shows up, the more work need to be done by trend traders to undo the reversal implications; this generally means we cannot trade the break of such a pattern for failure on any first sign of faltering follow through

Chart Formations

Reversal Patterns

- **W / M**
 - an embedded double top/bottom progression which is generally plotted as a middle part stack of a potent build up progression (blocky sideways cluster)
 - the blockier the cluster the more it serves the attacking party and the the more people will bail on its break
 - Take care to define which party the box progression serves (i.e. is it a M or a W pattern); special attention should be given to the slopes of the formation's high/lows; pattern line extending from these points of serve as useful boundaries for future price action
 - W and M reversal patterns in the lows and highs of a rally are common and can set the stage for a potential shifts in dominant pressure (respect implications)
 - reversal patterns W and M also have their proportionate features (much like harmony principle)
 - These reversal formations (& variants) are common the lows and highs of rallies
- **Ww Wv / Mm Mn (inverse)**
 - In a textbook Ww-pattern box, the top side is formed by the high of the big Ws middle-part, a level that is then repeatedly matched as the pattern progresses over time

- Ww-pattern, in which the bigger W represents a double-bottom base, and the smaller w a squeeze that sets up the future breakout; graphically represented as a Double Bottom & Lower Bottom
- A tease break often precedes a Ww or Mm formation breakout
- the Ww-breakout is best acted on when both elements (W and w) relate **proportionally** to one another (vertically and horizontally); consider if another opposite color bar is needed to complete formation
- In assessing proportions: It help to view the small 'w' as a flag hanging from the big W's right leg
- Variants such as Wv or Mn exist if you account for overlapping (nested) W formations
- **Head and Shoulders**
 - triple arch formation w/ 2 shoulders and 1 leg usually on pattern line, referred to as neckline (need not be horizontal)
 - the right shoulder deserves the most attention and can print in a few number of compressed bars (flat arch)
 - Embedded Sub-Patterns / Principles include: a) W/M b) Flags c) Ceiling Test d) False High/Lows d) Squeeze

Continuation Patterns

- **Flag**
 - Def: a pullback of price as a byproduct of an extended rally
 - Principles:
 - Pole-flag harmony - proportion of pole and flag should be relatively the same
 - Pole-flag-swing - on continuation price moves the length of pole
 - Harmony is a function of the number of sideways bars relative to the strength of the flagpole. In the case that they are **not proportional** then:
 - a) in the case that the pole is longer than flag; market has not yet absorbed the foregoing move (still part of pullback correction)
 - b) in the case that the flag is longer than pole; market conditions and pressure may have changed (no longer part of pullback correction)
 - pullback can be take many variations of diagonal and horizontal lines; always keep in mind potential developments on the non-dominant side
 - Mini-Flags could print on the outskirts of broken barrier as a pbp correction
 - Unfounded strong flag poles need not be candidates for continuation however should be respected as strength in the technical picture
 - In multi-swing flags, the flag proportions (harmony) and retracement (depth) should be measured by the same pole.
 - It is often found that failed continuations of these flag developments come to form the basis of reversal patterns

Structures

- **Arches (U/V or upside down)**

- can be helpful in determining dominant pressure when faced with a relatively flat moving average
- any arch before rolling over the highs to the lows will show little sideways progression. the highs form a ceiling but as does that bottom of that topping progression
- can be a small number of bars (e.g. at the end of build up - flatter, potent)
- in order to accurately assess, the open side of the arch should be faced towards the dominant pressure
- Arches need not be printed on a pattern line to have justification; their mere presence can trigger a market turn around (ceiling test); larger swings also have arches (Figure 2.8)
- **Double/Triple Tops & Bottoms**
 - Apart from assisting in understanding general chart pressure, bottoms and tops play a key role in assessing the pressure within Build Up Developments
 - Requires follow through to firmly establish itself as a meaning top/bottom
 - Barriers could be a few pips off from one another; should still be evaluated as an extended flat or slightly tilted trendline
 - Double top followed by a lower top gives a bearish outlook (as well as vice versa)
- **Ascending, Descending, Symmetrical Triangles**
 - Bilateral Triangles are usually seen:
 - as a by product of an extended time w/ no clear dominant party (such as near a round number),
 - preceding release of fundamental data, and as f
 - as a result of divided consensus on the direction of pullback
 - Two lines connecting highs and lows to show price converging towards the corner of the triangles
 - tricky near the apex; sides should not be picked too eagerly as they notoriously trigger false breakout orders before taking off
- **Squeeze**
 - Def: a common build up progression that tends to generate immediate follow through; a build up within build up pattern (generally 4 bars or so)
 - Squeeze Variants include:
 - Ema and Round number
 - Ema and Pattern Line
 - Two Pattern Lines
 - Commonly includes a Combi & False High/Low that perforates the EMA
 - Tightness of Squeeze Formation should be measured in relation to volatility & width in technical picture; thus these progressions appropriately include wider bars in accelerated markets

Candlesticks

- **Signal bar**
 - Def: Crucial bar in a build up situation from which to take position
 - Signal Bar tends to be respected as a technical element (e.g. ceiling test)

- Narrow bars (relative to the neighboring bars) do not make for the greatest of signals
- Signal bars often line up neatly with the pattern line or slightly extend out; always favorable to see the close aligned near the pattern line.
- At times the build up is thick enough and position would be taken if not for the bar closing away from the pattern line (doji) or the opposite color; provided this bar is not aggressive in nature and still favorably positioned in the build up, then one should assess the development of the action in the lower time frame
- Signal bar should always be relatively near the base of the EMA and should not be excessively tall (See ATR) but all evidence must be assessed with respect to technical picture
- It pays to assess the characteristics, touch & context of the signal bar with respect to the neighboring bars
- **Powerbar**
 - bar that open on one ends and strongly closes at the other (in relation to the average size of neighboring bars) which is an indication of enthusiasm and directional pressure
 - can complete the leg of chart & candlestick formations (e.g. W & Morning Star)
 - often time an unqualified signal bar whose next bar sets up as pbc(s)
 - Power bars can both stall build up momentum and portend a breakout varying on the direction of the close
- **Inside bars**
 - Any bar that neither takes out the high nor low of its predecessor (ignoring open and close)
 - 1 bar build up progression (could potentially be more than 1)
 - It's important to note that this candlestick pattern shows up often and at times without its power bar counter part
- **Morning/Evening Star**
 - 3+ bar trend reversal candlestick pattern that mimics a W or M pattern
 - the first any size bar is in direction of the former trend, the second a thin indecision candle (e.g. doji) and the third a strength bar potentially triggering temporary correction
 - could potentially incorporate two middle indecision candles
 - in a morning/evening star variants can come about where the doji (or middle bar) is actually before the first bar.
- **Topping/Bottoming Tails**
 - If rather tall, it indicates that in the course of bar formation, prices reached a certain high or low but then closed significantly away from that level (price rejection).
 - Tail bars in the current highs or lows of a rally can provide valuable information on waning momentum as well as play a role in the timing of a build up progression break
 - If an excessively long tail prints after an extended rally, tails often print as final burst in a trending environment
- **Triples / Doubles Touches**
 - requires technical test, pullback to EMA, and 4-5-6 retracement levels / Round Number
 - Technical Test Include:
 - pattern barrier

- ceiling test
 - Significant chart formations or candlestick)
- These multi-touches are more potent when a technical test is present
- Often a bar prints as a triple though its body is of the opposite party; the implications are just the same though a bit more patience may be warranted
- Upon a breakout, the pullback may come across this technical element which will impede further follow through this it's helpful to envision this on your side if price were to falter
- **Turnaround bars**
 - Def: a turnaround bar is a reversal bar (dji, or opposite color strong body bar); it is a 'power' turnaround 'bar' that is a strong response to counter pressure (often leaving behind a false low/high)
 - one of the most telling clues to obtain that a break is near is when a strong bar prints in build up progression at a S/R Level
 - These turn around bars often tend to lead to a prominent high/low such as false low/high or double top/bottom
- **Double Bar Breaks**
 - shows more tension then a single bar set up based on the premise that any extra tension preceding a breakout will help sooner follow through then obstruct it

Timeframes

- **LTF**
 - Lower Time Frame provides confirmation of the timing of the built up break; it may also confirm subtle formations in build up
 - The verified use of Lower Time Frame is deep dives into a build up progression that is tradeable on the Trading Time Frame; the only other authorized use of a trade is if you happen to just miss the entry (e.g. if you just turned on your computer) and need to enter on subsequent bar (best applied sparingly)
- **HTF**
 - Higher Time Frame provides confirmation of Dominant Pressure as well as the pattern boundary under attack.
 - Infrequently may summarize formations (obstructions & magnets) that are sparse in Trading Time Frame
 - Increases in momentum in HTF may indicate that the breakout was part of a much larger pattern with different objectives than that of the LTF

Manual Exit

- **Resistance Exit**
 - Resistance exit generally positioned in the high/lows of former turnaround bars or cluster
 - evaluate build up, previous touches and volatility as part of understanding the necessity and placement of resistance exit (i.e. highs, lows, or mids of cluster);

- In a ranging market it may **not** always be necessary to exit a trade in resistance if build up is of fine quality
 - In a very slow moving chart, position exit at meager resistance such as as the former high/low
 - Placement should mostly likely align with the last S/R the market respected (i.e. potential ceiling test level)
- **Reversal Exit**
 - not all adverse breaks need to be feared. especially when going against a strong pop. the break of a relatively small middle part is sooner known to trap traders out of profitable positions than
 - to ruin their trades at the stop side. also the further away the adverse break from entry the more chance before price to recoup before doing damage.

Chartist

- **Pattern Line**
 - def: boundary of S/R plotted diagonally or horizontally which is under threat
 - indisputable boundaries are more likely to gain consensus on follow through
 - if two intersecting pattern lines are of interest you should aim finalize one and compare :
 - Number of Touches
 - Relevance in HTF
 - Price Action underneath
 - the most useful slope of a minor pattern line sometimes becomes evidently only at the very last touch before its perforation.
 - price action may protrude pattern barrier (e.g. in tease break);
 - price action can be fickle; choppy conditions require thorough pattern line placement
 - Plot a pattern line so that it has the most amount of touches (points of most significance)
 - When there is a false low or high involved sooner place your barrier at the level before the perforation. The false perforation sooner acknowledges the foregoing move rather than invalidates it
 - Pattern lines should be relatively flat in range breakout (not too angular) with the best one extending across multiple periods)
 - Pattern Lines of counterpressure may come shed light on the failed attempts of the defenders (e.g. trading break for failure); these breaks may be diagonal or horizontal in nature
 - When a pattern line is broken do not immediately remove it as it may serve as S/R for subsequent price action (e.g. pattern break pullback)
 - Pattern Lines may serve the purpose of reshaping a blocky cluster into an angular progression (e.g. reshaped into a continuation pattern)

- Often times a pattern line could be plotted which may serve as an obstruction however this element should best be judged in light of build up & conditions
- It is not always the case that breakouts require the plotting of a pattern line;
 - PBP: when there are < 3 Bars before potential break
 - PR: when pattern line doesn't align with potential inflection point
 - PB: in the case where breakout is best defined by range (e.g. Ww)

● Box Plots

- def: visual boundary used for defining range and build up (to anticipate turn)
- In anticipating break, plot a box w
- Build Up:
 - The First High/Low should be plotted followed by the subsequent Low/High
 - This standard plotting method should always adjust according to price action which could be rather quick in build up progressions (quick indications of S/R with back to back bars).
 - The boxes also play a key role in defining pullback reversals that are not shaped by an angular pattern; those with an angular pattern may not immediately be plotted by a box
 - In anticipating break: the width of the box should be harmonious w/ obstruction
- Ranges
 - Is best Plotted when the chart seems to stall at major support/resistance levels leaving behind *spaced* key structures especially if the price action is lengthy
 - Reversal Patterns may be best defined by a range such as Ww Progression or H&S
 - As a Measured Move Objective: Note that the market tends to move away from the width of the range

● ATR

- Used as a measure of volatility in the market which is useful for assessing pace of the market.
- When volatility exceeds the normal rate, caution should be applied in assessing a potential break

● EMA

- Def: a lagging indicator useful for determining dominant pressure (has difficulty keeping pace in a fast strong moving market); as it flattens or steepens the indications of who is the dominant party may shift
- Position should be taken from the base of the EMA
- Retaking possession of the average - average is perforated and so many bars manage to close on the side of the perforation; price firmly positions itself on the other end of the EMA
- Commonly prices tend to bounce off of average on first touch (rebreak); subsequent touches may still provide footing for the party who has regained possession especially when aligned with technical element (does not necessarily lead to follow through)
- The further away from the trade is made from the EMA the riskier the trade; any deviation from Standard Operating Procedure should not get stopped out by Touch on EMA.

- Price often pierces EMA and then close on the originating side which could help gauge pressure
- If EMA is flat be patient and wait for price action to show dominant party
- If EMA is trending or slowly flattening out all wagers against its slope are off; in a breakout situation there is a deliberate difference between trading against current slope of a deep angular pullback and a trending average
- Breaks that originate on the opposite side of the average (despite having build up) tend to attract more contrarian attention

Fundamentals

● Indices & Commodities

- When the US dollar rises, dollar-denominated assets usually drop in price, as investors of other currencies find dollar-denominated assets more expensive.
- *Gold* and *crude oil* are dollar-denominated assets, they are strongly linked. (thus both negatively correlated)
- S&P 500 (Equity) Market is inversely correlated with the USD

● Cross-Pairs

- Correlated pairs entries cannot be substituted first high wages offer must be accepted (be weary of cross-pair influences)
- The high odds wager must be assessed independently. it cannot be used as a correlative reentry; one high odds offer does not equate to the other being of high quality.
- Correlated pair structures may exist on both and could be used as a viable source of information; useful in identifying the environment type, dominant party, & chart formations

● New York & London Overlap

- Opportunities that arise in London session often set up for another trade during NY morning
- US Pre-Open Forces are often countered early NY open
- London/New York Overlap offers substantially more liquidity which in turn creates a faster moving market on balance
- London/Tokyo Overlap a bit more mild although it does have sufficient volume to move price
- Normal Daily Range for EUR/USD is 100 pips
- Rallies tend to revolve around these Key Times (ET): 8:00am, 9:30am, 10:00am 10:30am